Crown Land Pricing Principles

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PREFACE

This document contains the six basic principles which underlie all of the Ministry's pricing policies for Crown land use. It also indicates the quidelines that the Ministry uses for the interpretation and implementation of those six major principles.

This document has been extracted from the Crown Land Administration Manual of the Ministry of Lands, Parks and Housing. This Manual establishes both policies and procedures by which Crown land under the jurisdiction of the Ministry is administered in the public interest.

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1. INTRODUCTION

Pricing is a major element of the Ministry's Crown land administration policy. Pricing is necessary to establish the fee or rental rates charged to individuals, organizations and agencies for the use or permanent acquisition of public land. Pricing is based on a number of important pricing policy guidelines, which reflect six fundamental principles endorsed by Cabinet in March of 1980. These principles are intended to be the basis of a consistent approach to the pricing of Crown land by all provincial agencies involved in the administration of public land.

Based on these principles and guidelines, the Ministry of Lands, Parks and Housing has formulated pricing policies for each of its land use programs. These policies deal with form and duration of tenure, method of land valuation, market value pricing and methods of land disposition and payment. Ministry objectives for individual land use programs are achieved by the balanced application of these policy components.

These policies are based on the concept of "highest and best use" of the land in social and economic terms as determined by the Ministry and guided by the land application referral process or Crown land planning processes.

2. PRICING PRINCIPLES

The following six fundamental principles provide the basis of Ministry pricing policy for Crown land use programs:

2.1 Fair Return to the Crown

The public nature of Crown land necessitates a pricing structure which ensures a fair economic return for the allocation of Crown land to private interests. To provide public land for private use at less than market price would imply that the provincial government is benefiting relatively few individuals at public expense. The use of the private sector market is, therefore, a justifiable method for determining Crown land value. This is because market value represents the measure of monetary worth that society attaches to real property.

Fair return to the Crown is ensured through the use of standardized land valuation techniques. Furthermore, rental rates and fees for Crown land are established in accordance with market rates in effect for private lands.

2.2 Neutrality

Pricing of Crown land should be impartial in terms of its application and effects. This means that pricing of Crown land should not significantly affect adjacent private land values. It also means that there should not be any hidden incentives or deterrents for particular uses of Crown land. Where pricing incentives are warranted they should be explicitly identified as exceptions to market value pricing policy and, hence, should only be offered within the context of a specific land use program.

In terms of Crown land administration, neutrality is ensured by marketing Crown land in accordance with demand, to avoid distortion of adjacent private land values. In addition, neutrality requires that Crown land pricing be based on a consistent market valuation approach.

2.3 Comparability

Market values and rental rates should be comparable among and within Ministry land use programs, bearing in mind the type and duration of tenure. Indiscriminate pricing between policy areas is undesirable. Furthermore, tenure term and conferment of property rights for similar types of tenures should result in a consistent level of pricing throughout the provincial government.

Comparability requires that, with respect to all land use program areas, there should be standard forms and terms of tenure; standard methods of Crown land disposition; and standard methods of land valuation and payment. There should also be consistency in pricing between land use programs of this Ministry and those of other provincial government agencies which issue tenures for Crown land use.

2.4 Equity

Pricing should recognize the rights of individuals and should not involve discrimination on an individual or group basis. Subsidies cannot be justified on a personal basis and pricing for replacement tenures should not impose undue financial hardship on existing tenure holders.

Prepayment options for land use policy tenures where applicable, are to be based on a standardized schedule. Individuals should have equal opportunities to acquire Crown land, and information and procedures for acquiring Crown land should be administered on a non-discriminatory basis.

Equity is realized through the provision for phase-in of rental increases for replacement tenures such that the magnitude of any increases does not impose undue financial hardship. It is further guaranteed by the use of comparable private market transactions to derive values for Crown land. In the interests of equity, individuals have the right to appeal decisions respecting Crown land applications and/or appraised market values. Crown land should be made available on an equal-opportunity basis and its availability well-advertised.

2.5 Administrative Efficiency

Pricing policy should be implemented using a minimum of time and public resources. Accordingly, Crown land valuation, pricing and the methods of disposition and payment should all be structured to minimize administrative cost and effort. In practice, this can be accomplished by reducing the number of individual appraisals; by employing the appraisal expertise of other sources; and by adopting, wherever practical, a planned approach to Crown land disposition. This is also accomplished

by providing for direct sale of Crown land wherever possible, as opposed to lease or licence tenure, and by applying consistent pricing for each land use policy.

Finally, efficiency can be accomplished by using a system of zone values to provide a common land valuation approach on a geographic area basis.

2.6 Flexibility

The principle of flexibility allows for future changes in Crown land administration through a process of continual monitoring and adaptation. Crown land dispositions, in certain instances, should be subject to special management provisions where the lands in question require careful development, the protection of inherent environmental or socio-economic characteristics, or the maintenance of future options. Crown land reserves or designatins are often used for such purposes. Furthermore, since future changes in Crown land values and market interest rates cannot be predicted with certainty, it is important for ensuring fair return to the Crown that Ministry provisions exist for rental and fee review and adjustment according to market rates.

3. RECONCILIATION OF PRICING PRINCIPLES

In developing policy statements according to the six preceding pricing principles, conflicts may arise which require reconciliation. The Ministry's position is that

the procedures for ensuring administrative efficiency supercede those which promote fair return to the Crown. In all cases of conflict, however, equity takes precedence.

On the basis of these priorities, guidelines have been formulated in the following section for each pricing policy component. The guidelines are used to develop the pricing provisions in each specific land use policy statement of the Ministry's Land Administration Manual.

4. PRICING POLICY GUIDELINES

4.1 Method of Crown Land Valuation

Market value will be used as the basis for valuation of all Crown land disposed by direct sale.

Crown land dispositions for non-profit public oriented purposes will be provided free or at a nominal price.

4.2 Method of Crown Land Pricing

Market prices for industrial, commercial and agricultural Crown land dispositions will normally be determined by public competition.

Fee simple dispositions will be priced at full appraised market value, except where a subsidy is justified on a program-specific basis.

Rentals and fees for leases, licences, rights of way and easements will be established in accordance with prevailing market rentals in the private sector.

Normally, rental increases for existing occupiers of Crown land will be phased in such that the magnitude of any increases will not create undue financial hardship, except where phase-in is not warranted for a specific program.

4.3 Method of Payment

Direct sale dispositions of Crown land will be made on a cash basis.

Rentals and fees for leases, licences, rights of way and easements will be paid annually or prepaid for the full term of the tenure.

4.4 Form of Tenure

All dispositions of Crown land will be made by direct sale except where the nature of the use, the term required, or pertinent legislation make temporary tenure more appropriate.

Subject to the cases listed below, Crown land will be leased where direct sale is not warranted.

Licences of occupation will be issued where:

- it is in the best interest to encourage multiple use of Crown land.

- the land is located in remote areas of the Province not serviced by a road, and where legal survey costs are prohibitive;

- the use is of a temporary nature, and the value of improvements to the land is relatively low; or

- the Crown wishes to retain a greater degree of control in the management of the land than would be permitted by a lease disposition.

Easements and rights of way will be used to authorize linear transportation, communication and utility developments.

4.5 Term of Tenure

The standard term for a lease will be 30 years, with a maximum term of 60 years.

The standard term for a licence of occupation will be 10 years.

Rights of way and easements will be issued for up to 60 years, unless otherwise directed by Order-in-Council.

Letters of consent issued under Section 10 of the Land Act for specified purposes will convey a standard term of 6 months. Certain uses may be authorized for a period of up to one year under conditions outlined in the Land Act.

4.6 Method of Crown Land Disposition

Where Crown land is in high demand for various uses, it is normally allocated by the Ministry on the basis of careful planning and staged disposition.

Where Crown land is not initially disposed through a marketing approach, disposition is made on a direct application/direct offer basis.

All replacement tenures will be issued on an application - direct offer basis.